

SERFF Tracking Number: ARKS-125405740 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104613 \$50
Company Tracking Number: EC 2007-RTRL1
TOI: 33.0 Other Lines of Business Sub-TOI: 33.0001 Other Personal Lines
Product Name: E-Commerce
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

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|---------------------------------------|------------------------------|--|
| Product Name: E-Commerce | SERFF Tr Num: ARKS-125405740 | State: Arkansas |
| TOI: 33.0 Other Lines of Business | SERFF Status: Closed | State Tr Num: #104613 \$50 |
| Sub-TOI: 33.0001 Other Personal Lines | Co Tr Num: EC 2007-RTRL1 | State Status: Fees verified and received |
| Filing Type: Rule | Co Status: | Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding |
| | Author: | Disposition Date: 12/28/2007 |
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| Effective Date Requested (New): | | Effective Date (New): |
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| State Filing Description: | | |

General Information

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| Project Number: | Domicile Status Comments: |
| Reference Organization: | Reference Number: |
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| Filing Status Changed: 12/31/2007 | |
| State Status Changed: 12/31/2007 | Deemer Date: |
| Corresponding Filing Tracking Number: | |
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Company and Contact

Filing Contact Information

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SERFF Tracking Number: ARKS-125405740 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104613 \$50
Company Tracking Number: EC 2007-RTRLI
TOI: 33.0 Other Lines of Business Sub-TOI: 33.0001 Other Personal Lines
Product Name: E-Commerce
Project Name/Number: /

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

| | | | |
|---------------------------------|--|-------------------------------|-------------------------------------|
| <i>SERFF Tracking Number:</i> | <i>ARKS-125405740</i> | <i>State:</i> | <i>Arkansas</i> |
| <i>Filing Company:</i> | <i>00006 - INSURANCE SERVICES OFFICE, INC.</i> | <i>State Tracking Number:</i> | <i>#104613 \$50</i> |
| <i>Company Tracking Number:</i> | <i>EC 2007-RTRLI</i> | | |
| <i>TOI:</i> | <i>33.0 Other Lines of Business</i> | <i>Sub-TOI:</i> | <i>33.0001 Other Personal Lines</i> |
| <i>Product Name:</i> | <i>E-Commerce</i> | | |
| <i>Project Name/Number:</i> | <i>/</i> | | |

Filing Fees

| | |
|------------------|----|
| Fee Required? | No |
| Retaliatory? | No |
| Fee Explanation: | |
| Per Company: | No |

SERFF Tracking Number: ARKS-125405740 State: Arkansas
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Product Name: E-Commerce
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Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|--------|---------------|------------|----------------|
| Filed | Edith Roberts | 12/31/2007 | 12/31/2007 |

SERFF Tracking Number: *ARKS-125405740* *State:* *Arkansas*
Filing Company: *00006 - INSURANCE SERVICES OFFICE, INC.* *State Tracking Number:* *#104613 \$50*
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TOI: *33.0 Other Lines of Business* *Sub-TOI:* *33.0001 Other Personal Lines*
Product Name: *E-Commerce*
Project Name/Number: */*

Disposition

Disposition Date: 12/28/2007

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number: ARKS-125405740 State: Arkansas

Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104613 \$50

Company Tracking Number: EC 2007-RTRLI

TOI: 33.0 Other Lines of Business Sub-TOI: 33.0001 Other Personal Lines

Product Name: E-Commerce

Project Name/Number: /

| Item Type | Item Name | Item Status | Public Access |
|---------------------|---|-------------|---------------|
| Supporting Document | Uniform Transmittal Document-Property & Casualty | Filed | Yes |
| Supporting Document | NAIC Loss Cost Filing Document for OTHER than Workers' Comp | Filed | Yes |
| Supporting Document | NAIC loss cost data entry document | Filed | Yes |
| Supporting Document | ARKS-125405740 | Approved | No |

| | | | |
|---------------------------------|--|-------------------------------|-------------------------------------|
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| <i>Filing Company:</i> | <i>00006 - INSURANCE SERVICES OFFICE, INC.</i> | <i>State Tracking Number:</i> | <i>#104613 \$50</i> |
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Rate Information

Rate data does NOT apply to filing.

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Supporting Document Schedules

Satisfied -Name: ARKS-125405740 **Review Status:** Approved 12/31/2007
Comments:
Attachment:
ARKS-125405740.pdf



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TEL: (214) 390-1825 FAX: (214) 390-1975

ER

CV# 104613

\$ 50.00

ARKS-125405740

December 20, 2007

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

FILED

Dec 28 2007

RECEIVED

DEC 28 2007

Attention: William R. Lacy, Director
Property and Casualty Division

PROPERTY AND CASUALTY
ARKANSAS INSURANCE DEPT.

ack/accepted for informational
purpose

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

RE: Insurance Services Office, Inc.
EC 2007-RTRL1
E-Commerce
Rules Revised in Response to Terrorism Risk Insurance Program
Reauthorization Act of 2007
REFERENCE FILING
State of Arkansas

Long

Dear Mr. Lacy:

Insurance Services Office, Inc. (ISO) hereby files the captioned revision. The purpose of this filing is to revise certain rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

This Act extends the federal Terrorism Risk Insurance Program (which was set to expire at the end of December 31, 2007) for a seven-year period, through December 31, 2014. Several other noteworthy changes in the Act include:

- Revision to the criteria for certification of an act to eliminate the requirement that the act be committed on behalf of a foreign person or foreign interest.
- Requirement to provide a clear and conspicuous disclosure of the \$100 billion cap on payments for insured losses, as well as a strengthening of that cap.
- Requirement that the Secretary of the Treasury develop regulations for determining the pro rata share of insured losses to be paid under the program when those insured losses exceed \$100 billion during any one program year.

Insurers are now faced with the task of overhauling policy administration systems to comply with the new requirements, including new policy language reflecting the revised definition of a certified

act, additional disclosure requirements, and other issues. For this reason, we are proposing that this revision become effective in accordance with the following rule of application:

These changes are available for insurer use upon your approval.

To provide maximum flexibility to insurers in revising their policy administration systems, we propose that insurers are not required to advise you of the actual date on which they incorporate the attached into their workflow. This will avoid the need for unnecessary filings to delay effective dates, and takes into consideration the fact that insurers have varying system considerations and lead-time requirements.

It is very important that insurers have the tools contained in this filing available for use as soon as practicable. Your prompt approval of this critical filing is appreciated. Should you have any questions on the material contained herein, we would be happy to discuss them with you at your convenience.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Donald J. Beckel", written in a cursive style.

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager

DJB:db
Encl.

Rules Revised In Response To Terrorism Risk Insurance Program Reauthorization Act Of 2007

About This Filing

This filing revises certain terrorism rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Revised Rules

We are revising certain rules in the E-Commerce Section of the Commercial Lines Manual Terrorism Supplement.

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the current versions to the new versions. Concurrent with implementation, the new versions will supersede the prior versions.

Related Filing(s)

- ◆ Forms Filing EC-2007-OTRL1

Background

The Terrorism Risk Insurance Act (TRIA) of 2002 established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. Pursuant to Section 103(c) of the Act, all insurers providing insurance for applicable lines of business are required to participate in the program by making available coverage for insured losses resulting from an act of terrorism as defined by the Act (so-called certified acts coverage). The enactment of TRIA in 2002 preceded the development and implementation of the Internet Liability And Network Protection Policy.

The Terrorism Risk Insurance Program was extended for two years, until December 31, 2007, by the Terrorism Risk Insurance Extension Act of 2005, which incorporated various changes with respect to federal share of losses and affected lines of business. We responded to the enactment, with a filing of various coverage options and related rules addressing the terrorism risk.

Current Environment

The federal Terrorism Risk Insurance Program has been revised and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which incorporates various changes to the Program. Certain changes, summarized as follows, have an impact on ISO terrorism forms (addressed in the companion Forms filing) and the rules associated with those forms:

- ◆ Under Section 102(1)(A)(iv) of the Act, the definition of an act of terrorism (with respect to certification of such act) is revised by eliminating the criterion that the act be committed on behalf of a foreign person or foreign interest. As revised, the definition, in part, requires the act to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- ◆ Section 103(b)(3) of the Act requires disclosure of the existence of the \$100 billion cap on payments by insurers.
- ◆ Section 103(e)(2)(A) of the Act eliminates the provision asserting that Congress may take action to increase the \$100 billion cap in the event that insured losses exceed such cap; and Section 103(e)(2)(B) requires the Secretary of the Treasury to issue regulations for determining the pro rata share of insured losses to be paid under the Program (up to \$100 billion) when insured losses exceed \$100 billion.

Explanation of Changes

Terrorism Rules

The rules are revised as follows:

- ◆ Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to "actions committed on behalf of any foreign interest", in line with the revision to Section 102(1)(A)(iv) of the Act.
- ◆ Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- ◆ Delete reference, in the Introduction section, to the offer of coverage. The reference to making coverage available comports more closely to the language of the Act.
- ◆ Indicate, in the Introduction section, that the existence of the \$100 billion cap must be disclosed to the policyholder at the time of offer, purchase and renewal of the policy, pursuant to Section 103(b)(3).

- ◆ Editorially revise several of the descriptions of endorsements.
- ◆ Recognize the scheduled termination date of the federal program, that is, December 31, 2014.
- ◆ Revise the Disclosure Of Premium paragraph to indicate that the existence of the \$100 billion cap must be disclosed to the insured as a condition for reimbursement under the federal program, pursuant to Section 103(b)(3). This paragraph has also been revised to more clearly express which disclosure endorsement is applicable for policies that begin prior to the last year of the program and which endorsements are applicable for policies that begin in the last year of the program.
- ◆ Delete reference to endorsements excluding or limiting coverage for "other acts" of terrorism (or certified and other acts combined). The disposition of forms and rules excluding or limiting coverage for "other acts" of terrorism will be addressed in separate filings.

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Important Note

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Current Terrorism Rules

| State | EC | State | EC |
|----------------------|--------|----------------|--------|
| Alabama | TE 100 | Montana | TE 100 |
| Arizona | TE 100 | Nebraska | TE 100 |
| Arkansas | TE 100 | Nevada | TE 100 |
| California | TE 100 | New Hampshire | TE 100 |
| Colorado | TE 100 | New Jersey | TE 102 |
| Connecticut | TE 100 | New Mexico | TE 100 |
| Delaware | TE 100 | North Carolina | TE 100 |
| District Of Columbia | TE 100 | North Dakota | TE 100 |
| Georgia | TE 100 | Ohio | TE 108 |
| Idaho | TE 100 | Oklahoma | TE 100 |
| Illinois | TE 100 | Oregon | TE 100 |
| Indiana | TE 100 | Pennsylvania | TE 100 |
| Iowa | TE 100 | Rhode Island | TE 100 |
| Kansas | TE 100 | South Carolina | TE 100 |
| Kentucky | TE 100 | South Dakota | TE 100 |
| Louisiana | TE 100 | Tennessee | TE 100 |
| Maine | TE 100 | Texas | TE 100 |
| Maryland | TE100 | Utah | TE 100 |
| Massachusetts | TE 100 | Virginia | TE 105 |
| Michigan | TE 100 | Washington | TE 106 |
| Minnesota | TE 100 | West Virginia | TE 100 |
| Mississippi | TE 100 | Wyoming | TE 100 |

NOTE: AK, FL, HI, MO, NY, PR, VT and WI have been omitted from this list due to the fact that they will receive state-specific filings or because filings will follow pending approval of the E-Commerce Program.

E-COMMERCE - VERSION TE 100

18. TERRORISM

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

- A. THE FOLLOWING PARAGRAPHS A.1. AND A.2. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are is available:
 - a. To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 01.
 - b. ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 02.~~
2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are is available:
 - a. ~~To exclude coverage for certified acts of terrorism and but provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement EC 21 03.~~
 - b. ~~To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04.~~

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy for any policy issued 90 days after the enactment of the Act. To comply with this separate line requirement, the Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 may be used.~~

B. THE FOLLOWING PARAGRAPHS INSTRUCT ON THE USAGE OF A CONDITIONAL TERRORISM ENDORSEMENT OPTION FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THIS CONDITIONAL ENDORSEMENT IS DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN BE ALSO USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2007~~14~~. However, if there is an extension of the federal Program beyond 2007~~14~~ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007~~14~~ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement option provides insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

To exclude terrorism coverage upon the termination of the federal Terrorism Risk Insurance Program, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement EC 21 08.

THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF THE EXTENDED REPORTING PERIOD FOR TERRORISM COVERAGE ENDORSEMENT ON POLICIES THAT INCLUDE THE CONDITIONAL TERRORISM ENDORSEMENT.

When conditional exclusion Endorsement EC 21 08 is attached to a policy, also attach Extended Reporting Period For Terrorism Coverage Endorsement EC 21 10. This endorsement provides the insureds with an extended reporting period (5 years from the date the conditional exclusion went into effect) for claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered. ~~Do NOT attach this endorsement if Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04 is also attached to the policy.~~

C. THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF A TERRORISM ENDORSEMENT OPTION THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).

To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement EC 21 09.

D. Disclosure Of Premium

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy. To comply with this separate line requirement, the following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 in accordance with Paragraph A. above unless Paragraph D.2. or D.3. applies.~~

1. For Policies That Begin Prior To The Last Program Year Of Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05, which responds to the Treasury Guidance on line item disclosure.

2. For Policies That Begin In The Last Program Year Of Federal Program

- 2a.** Use Disclosure Of Premium Through End Of Year For Certified Acts of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 06 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This endorsement recognizes the possibility of a mid-term additional premium charge.
- 3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 07 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

E. Premium Determination

For coverage for acts of terrorism, refer to company for rating. Rule 3. Referrals To Company applies.

E-COMMERCE - VERSION TE 102

18. TERRORISM

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

- A. THE FOLLOWING PARAGRAPHS A.1. AND A.2. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options is are available:
 - a. To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 01.
 - b. ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 02.~~
2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options is are available:
 - a. To exclude coverage for certified acts of terrorism ~~and but~~ provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement EC 21 03.
 - b. ~~To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04.~~

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy for any policy issued 90 days after the enactment of the Act. To comply with this separate line requirement, the Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 may be used.~~

B. THE FOLLOWING PARAGRAPHS INSTRUCT ON THE USAGE OF A CONDITIONAL TERRORISM ENDORSEMENT OPTION FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THIS CONDITIONAL ENDORSEMENT IS DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2007¹⁴. However, if there is an extension of the federal Program beyond 2007¹⁴ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007¹⁴ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement option provides insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

To exclude terrorism coverage upon the termination of the federal Terrorism Risk Insurance Program, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement EC 21 08.

THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF THE EXTENDED REPORTING PERIOD FOR TERRORISM COVERAGE ENDORSEMENT ON POLICIES THAT INCLUDE THE CONDITIONAL TERRORISM ENDORSEMENT.

When conditional exclusion Endorsement EC 21 08 is attached to a policy, also attach Extended Reporting Period For Terrorism Coverage Endorsement EC 21 10. This endorsement provides the insureds with an extended reporting period (5 years from the date the conditional exclusion went into effect) for claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered. ~~Do NOT attach this endorsement if Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04 is also attached to the policy.~~

C. THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF A TERRORISM ENDORSEMENT OPTION THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).

To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement EC 21 09.

D. Disclosure Of Premium

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy. To comply with this separate line requirement, the following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 in accordance with Paragraph A. above unless Paragraph D.2. or D.3. applies.~~

1. For Policies That Begin Prior To The Last Program Year Of Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05, which responds to the Treasury Guidance on line item disclosure.

2. For Policies That Begin In The Last Program Year Of Federal Program

- 2a.** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 06 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This endorsement recognizes the possibility of a mid-term additional premium charge.
- 3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 07 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

E. Premium Determination

For coverage for acts of terrorism, refer to company for rating. Rule 3. Referrals To Company applies. All insurers must provide the New Jersey Department of Banking and Insurance with their rates.

E-COMMERCE - VERSION TE 105

18. TERRORISM

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

- A. THE FOLLOWING PARAGRAPHS A.1. AND A.2. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

1. When coverage for certified acts of terrorism is to be provided, the following options are available:
 - a. To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 01.
 - b. ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 02.~~
2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:
 - a. To exclude coverage for certified acts of terrorism and but provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement EC 21 03.
 - b. ~~To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04.~~

As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy for any policy issued 90 days after the enactment of the Act. To comply with this separate line requirement, the Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 may be used.

B. THE FOLLOWING PARAGRAPHS INSTRUCT ON THE USAGE OF A CONDITIONAL TERRORISM ENDORSEMENT OPTION FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THIS CONDITIONAL ENDORSEMENT IS DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2007¹⁴. However, if there is an extension of the federal Program beyond 2007¹⁴ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007¹⁴ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement option provides insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

To exclude terrorism coverage upon the termination of the federal Terrorism Risk Insurance Program, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement EC 21 08.

THE FOLLOWING PARAGRAPHS B.1. AND B.2. INSTRUCT ON THE USAGE OF THE EXTENDED REPORTING PERIOD FOR TERRORISM COVERAGE ENDORSEMENTS ON POLICIES THAT INCLUDE THE CONDITIONAL TERRORISM ENDORSEMENT.

When conditional exclusion Endorsement EC 21 08 is attached to a policy:

1. Attach Virginia Basic Extended Reporting Period For Terrorism Coverage Endorsement EC 01 74. This endorsement provides the insureds with an extended reporting period (60 days from the date the conditional exclusion went into effect) to report claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered. There is no charge for this endorsement
2. A Supplemental Extended Reporting Period For Terrorism Coverage of two years must be offered to the insureds. If accepted, attach Virginia Supplemental Extended Reporting Period For Terrorism Coverage Endorsement EC 01 75 for an additional charge. This Supplemental Extended Reporting Period starts when the 60 day basic extended reporting period for terrorism coverage ends and lasts for two years. When this endorsement is attached, a Supplemental Aggregate Limit Of Liability For Terrorism Coverage will apply to claims first made and reported during the supplemental extended reporting period. The amount of the Supplemental Aggregate Limit Of Liability will be equal to the amount of the Aggregate Limit Of Liability entered on the Declarations at the time the conditional terrorism exclusion went into effect. Refer to company for rating.

~~Do NOT attach these endorsements if Exclusion Of Certified Acts And Other Acts Of Terrorism Endorsement EC 21 04 is also attached to the policy.~~

C. THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF A TERRORISM ENDORSEMENT OPTION THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).

To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement EC 21 09.

D. Disclosure Of Premium

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy. To comply with this separate line requirement, the following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 in accordance with Paragraph A. Above unless Paragraph D.2. or D.3. applies.~~

1. For Policies That Begin Prior To The Last Program Year Of Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05, which responds to the Treasury Guidance on line item disclosure.

2. For Policies That Begin In The Last Program Year Of Federal Program

- 2a.** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 06 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This endorsement recognizes the possibility of a mid-term additional premium charge.
- 3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 07 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

E. Premium Determination

For coverage for acts of terrorism, refer to company for rating. Rule 3. Referrals To Company applies.

E-COMMERCE - VERSION TE 106

18. TERRORISM

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

- A. THE FOLLOWING PARAGRAPHS A.1. AND A.2. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.**

When coverage for certified acts of terrorism:

- 1. When coverage for certified acts of terrorism is to be provided, the following options is are available:**

a. To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 01.

b. To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25-million threshold (with no dollar threshold on nuclear, biological or chemical events), use Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 02.

- 2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options is are available:**

a. To exclude coverage for certified acts of terrorism and but provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement EC 21 03.

b. To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25-million threshold (with no dollar threshold on nuclear, biological or chemical events), use Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04.

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy for any policy issued 90 days after the enactment of the Act. To comply with this separate line requirement, the Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 may be used.~~

B. THE FOLLOWING PARAGRAPHS INSTRUCT ON THE USAGE OF A CONDITIONAL TERRORISM ENDORSEMENT OPTION FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THIS CONDITIONAL ENDORSEMENT IS DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2007~~14~~. However, if there is an extension of the federal Program beyond 2007~~14~~ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007~~14~~ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement option provides insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

To exclude terrorism coverage upon the termination of the federal Terrorism Risk Insurance Program, attach Washington Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement EC 21 26.

THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF THE EXTENDED REPORTING PERIOD FOR TERRORISM COVERAGE ENDORSEMENT ON POLICIES THAT INCLUDE THE CONDITIONAL TERRORISM ENDORSEMENT.

When conditional exclusion Endorsement EC 21 26 is attached to a policy, also attach Extended Reporting Period For Terrorism Coverage Endorsement EC 21 10. This endorsement provides the insureds with an extended reporting period (5 years from the date the conditional exclusion went into effect) for claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered. ~~Do NOT attach this endorsement if Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 21 04 is also attached to the policy.~~

C. THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF A TERRORISM ENDORSEMENT OPTION THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).

To exclude terrorism coverage, attach Washington Exclusion Of Terrorism Endorsement EC 21 27.

D. Disclosure Of Premium

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy. To comply with this separate line requirement, the following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 in accordance with Paragraph A. above unless Paragraph D.2. or D.3. applies.~~

1. For Policies That Begin Prior To The Last Program Year Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05, which responds to the Treasury Guidance on line item disclosure.

2. For Policies That Begin In The Last Program Year Of Federal Program

- 2.a** Use Disclosure Of Premium Through End Of Year For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 06 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This endorsement recognizes the possibility of a mid-term additional premium charge.
- 3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 07 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

E. Premium Determination

For coverage for acts of terrorism, refer to company for rating. Rule 3. Referrals To Company applies.

E-COMMERCE - VERSION TE 108

18. TERRORISM

INTRODUCTION

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property and casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage which apply to other perils.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

IMPORTANT GENERAL INFORMATION

- A. THE FOLLOWING PARAGRAPHS A.1. AND A.2. INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH B. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

~~When coverage for certified acts of terrorism:~~

1. When coverage for certified acts of terrorism is to be provided, the following options are available:

- a. ~~To provide coverage for both certified acts of terrorism and other acts of terrorism (subject to underlying policy provisions), but provide that the insurer will not pay any amount for any certified act of terrorism after the amounts of all such events in a statutory period exceed the cap provided by the Act, use Cap On Losses From Certified Acts Of Terrorism Endorsement EC 21 01.~~
- b. ~~To provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy provisions), and exclude other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Ohio Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement EC 01 77.~~

2. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:

- a. ~~To exclude coverage for certified acts of terrorism and but provide coverage for other acts of terrorism (subject to underlying policy provisions), use Exclusion Of Certified Acts Of Terrorism Endorsement EC 21 03.~~
- b. ~~To exclude all losses arising out of certified acts of terrorism and other acts of terrorism, subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events), use Ohio Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 01 78.~~

As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy for any policy issued 90 days after the enactment of the Act. To comply with this separate line requirement, the Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 may be used.

B. THE FOLLOWING PARAGRAPHS INSTRUCT ON THE USAGE OF A CONDITIONAL TERRORISM ENDORSEMENT OPTION FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM;**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THIS CONDITIONAL ENDORSEMENT IS DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN BE ALSO USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH C. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2007¹⁴. However, if there is an extension of the federal Program beyond 2007¹⁴ and this line of business remains subject to TRIA under such extension, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies for this line of business (a so-called hard ending).

Policies that become effective on or after January 1, 2007¹⁴ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement option provides insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.

To exclude terrorism coverage upon the termination of the federal Terrorism Risk Insurance Program, attach Ohio Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement EC 01 79.

THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF THE EXTENDED REPORTING PERIOD FOR TERRORISM COVERAGE ENDORSEMENT ON POLICIES THAT INCLUDE THE CONDITIONAL TERRORISM ENDORSEMENT.

When Ohio conditional exclusion Endorsement EC 01 79 is attached to a policy, also attach Extended Reporting Period For Terrorism Coverage Endorsement EC 21 10. This endorsement provides the insureds with an extended reporting period (5 years from the date the conditional exclusion went into effect) for claims arising out of an incident of terrorism that occurred prior to the conditional exclusion being triggered. Do NOT attach this endorsement if Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement EC 01 78 is also attached to the policy.

C. THE FOLLOWING PARAGRAPH INSTRUCTS ON THE USAGE OF A TERRORISM ENDORSEMENT OPTION THAT MAY BE ATTACHED TO:

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;

POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).

To exclude terrorism coverage, attach Ohio Exclusion Of Terrorism Endorsement EC 01 80.

D. Disclosure Of Premium

~~As condition for federal payment under the Program, subparagraph 103(b)(2) of the Act requires that an insurer must also provide clear and conspicuous disclosure to the policyholder of the premium charged for insured losses covered by the program and the federal share of compensation for insured losses under the program. Section 103(b)(2)(c) requires that an insurer make the required clear and conspicuous disclosures on a "separate line item" in the policy. To comply with this separate line requirement, the following endorsements, which respond to the Treasury Guidance on line item disclosure, may be used:~~

- ~~1. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05 in accordance with Paragraph A. above unless Paragraph D.2. or D.3. applies.~~

1. For Policies That Begin Prior To The Last Program Year Of Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal program. Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement EC 21 05, which responds to the Treasury Guidance on line item disclosure.

2. For Policies That Begin In The Last Program Year Of Federal Program

- 2a.** Use Disclosure Of Premium Through End Of Year For Certified Acts of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 06 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a Conditional Exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This endorsement recognizes the possibility of a mid-term additional premium charge.
- 3b.** Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement EC 21 07 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

E. Premium Determination

For coverage for acts of terrorism, refer to company for rating. Rule 3. Referrals To Company applies.